

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**STATUS REPORT: THE STATE LOAN
TO THE ALAMEDA COUNTY
OFFICE OF EDUCATION**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

F-570

STATUS REPORT: THE STATE LOAN TO
THE ALAMEDA COUNTY OFFICE OF EDUCATION

OCTOBER 1985



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STATE OF CALIFORNIA
Office of the Auditor General

660 J STREET, SUITE 300
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Thomas W. Hayes
Auditor General

October 8, 1985

F-570

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the status of the state loan to the Alameda County Office of Education (ACOE). In August 1985, the ACOE made the final payment on the principal of the \$5.5 million loan from the State. The ACOE repaid the loan more quickly than it anticipated because the State Department of Education changed the method of computing the loan repayment and because the State ultimately funded in full the transportation program upon which the loan repayment was based. Further, the ACOE has presented a balanced budget for 1985-86 and has implemented procedures to ensure that the fiscal problems previously experienced at the ACOE do not recur.

We conducted this audit to comply with Chapter 46, Statutes of 1984.

Respectfully submitted,

Tom R. Hayes
for THOMAS W. HAYES
Auditor General

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	i
INTRODUCTION	1
ANALYSIS	
THE ALAMEDA COUNTY OFFICE OF EDUCATION HAS REPAYED ITS LOAN FROM THE STATE	5
CONCLUSION	19
RESPONSE TO THE AUDITOR GENERAL'S REPORT	
State Department of Education	21
Alameda County Office of Education	23

SUMMARY

In August 1985, the Alameda County Office of Education (ACOE) issued a \$162,507 warrant for the final payment on the principal of its \$5.5 million loan from the State. Chapter 46, Statutes of 1984, allowed the ACOE five years to repay this loan. When preparing its 1984-85 budget, the ACOE projected that there would be a balance payable on the loan principal as of June 30, 1985, of \$1,248,350. However, the actual balance payable on the loan principal as of June 30, 1985, was \$162,507, a decrease of \$1,085,843. Therefore, the ACOE was able to repay the loan more quickly than it had originally anticipated.

Two factors were primarily responsible for the decrease in the loan principal as of June 30, 1985. First, representatives of the State's Superintendent of Public Instruction changed the loan repayment method. As a result, more funds were applied from the transportation apportionment than the ACOE originally anticipated. Second, the ACOE originally anticipated a deficit for the transportation program, but the State ultimately funded the program in full. This also resulted in more loan being repaid than planned. The effect of these two factors on the loan repayment was partially offset because the ACOE's regular apportionment during 1984-85 was not reduced by as much as it had originally planned.

The ACOE's Budget for 1985-86

On September 3, 1985, the Alameda County Board of Education approved the 1985-86 budget submitted by the ACOE. The budget anticipates total income of \$10,686,152 and expenditures of \$10,595,578; thus, income exceeds expenditures by \$90,574. This \$90,574, combined with the beginning fund balance of \$383,492, allowed the ACOE to make the final payment on the loan principal of \$162,507 in August 1985 and still have an ending fund balance of \$311,559, which has been reserved for contingencies.

The Cash Position of the ACOE

The ACOE ended the 1984-85 fiscal year with a cash balance of \$958,638. To maintain a positive cash balance throughout 1985-86, the ACOE requested that the Alameda County Treasurer advance funds to the ACOE's account. If the ACOE is able to realize its cash flow projection for 1985-86, it will have a positive cash balance as of April 1986, the date by which the ACOE must repay any advance it may have received from the Alameda County Treasurer.

Procedures Implemented by the ACOE

The ACOE has implemented several procedures to ensure that the fiscal problems it experienced in the past do not recur. During 1984-85, the county superintendent of schools issued the "Superintendent's Management Plan for the Improvement and Review of Services and Programs." This plan includes policies and procedures related to the county board of education's role, the county superintendent of schools' role, and specific account budget management systems to be employed. If followed, the procedures included in the plan should provide a reasonable basis for the ACOE's continuing financial stability.

INTRODUCTION

In February 1984, the Office of the Auditor General issued a report entitled "The Alameda County Superintendent of Schools Needs an Emergency Loan of \$5 Million" (Report F-385).* The report described the fiscal condition of the Alameda County Office of Education (ACOE) and the causes of that condition as it existed in January 1984. The report recommended that pending legislation be amended to provide emergency funds to the ACOE. The report also recommended and the subsequent legislation requires that, as long as the loan is outstanding, the Office of the Auditor General report annually to the Legislature on the status of the ACOE's operations and on the Superintendent of Public Instruction's monitoring and review of the ACOE.

In March 1984, the Legislature enacted emergency legislation (Chapter 46, Statutes of 1984) to resolve the ACOE's immediate cash crisis. This legislation provided a \$5.5 million loan to the ACOE and imposed special reporting and accountability requirements as conditions of the ACOE's accepting the loan.

Chapter 46, Statutes of 1984, required that the ACOE be accountable to the State's Superintendent of Public Instruction and provide him with certain reports. In addition, the legislation

*In January 1985, the Alameda County Superintendent of Schools changed its name to the Alameda County Office of Education.

directed the Superintendent of Public Instruction to appoint a bonded trustee to monitor and review the ACOE's compliance with the requirements of Chapter 46, Statutes of 1984.

The ACOE received the full amount of the loan authorized by Chapter 46, Statutes of 1984: \$4.9 million in March 1984 and the remaining \$.6 million in May 1984. In March 1984, the State's Superintendent of Public Instruction appointed a trustee to monitor and review the ACOE's operations.

In October 1984, the Office of the Auditor General issued the first of its required status reports on the state loan to the ACOE.* The report focused on the ACOE's preparation of its budget for fiscal year 1984-85 and on the trustee's monitoring of the budget preparation process. The report concluded that the ACOE had made progress toward its goal of financial stability but stated that it was too soon to predict when the ACOE would be able to reach this goal.

SCOPE AND METHODOLOGY

We reviewed the operations of the ACOE and the Superintendent of Public Instruction's monitoring and review of those operations as directed by Chapter 46, Statutes of 1984. We did not audit any of the

*This report is entitled "Status Report: The State Loan to the Alameda County Superintendent of Schools," Report F-438, October 1984. (In January 1985, the Alameda County Superintendent of Schools changed its name to the Alameda County Office of Education.)

accounts or reports referred to in this report; Chapter 46, Statutes of 1984, designates the State Controller as the agency responsible for conducting the financial and compliance audit of the ACOE for 1984-85.

We reviewed the records of the state loan maintained by the State Controller and the State Department of Education. We assessed the ACOE's and the State's Superintendent of Public Instruction's compliance with the requirements of Chapter 46, Statutes of 1984. We also examined the cash flow projection that the ACOE prepared and reviewed the projection's underlying assumptions. We reviewed the reasonableness of the budget that the ACOE submitted to the Alameda County Board of Education for 1985-86, but we did not audit the beginning balance used in preparing the budget. The State Controller will do this as part of its audit of the fiscal year 1984-85 records. Finally, we reviewed the procedures that the ACOE has implemented to ensure that the fiscal problems it experienced in the past do not recur.

During our review, we met with the county superintendent of schools and with representatives of the State's Superintendent of Public Instruction, including the trustee. We also interviewed staff at the ACOE and the consultant to the trustee.

It was not within the scope of this review to conduct an examination in accordance with generally accepted auditing standards that would enable us to express an opinion on any of the financial information referred to in this report.

ANALYSIS

THE ALAMEDA COUNTY OFFICE OF EDUCATION HAS REPAYED ITS LOAN FROM THE STATE

In August 1985, the Alameda County Office of Education (ACOE) issued a \$162,507 warrant for the final payment of principal for its \$5.5 million loan from the State. Chapter 46, Statutes of 1984, allowed the ACOE five years to repay this loan. When preparing its 1984-85 budget, the ACOE projected that there would be a balance payable on the loan principal as of June 30, 1985, of \$1,248,350. Instead, the balance payable on the loan principal as of June 30, 1985, was \$162,507, which was \$1,085,843 less than projected. Therefore, the ACOE was able to repay the loan more quickly than it originally anticipated.

Two factors were primarily responsible for the decrease in the balance payable. First, representatives of the State's Superintendent of Public Instruction changed the loan repayment method initially decided upon; as a result, more funds were applied from the transportation apportionment than the ACOE had originally anticipated. Second, in preparing its 1984-85 budget, the ACOE originally anticipated a deficit for the transportation program. However, the State ultimately funded the program in full, and this unexpected funding enabled the ACOE to repay the loan more quickly than it had planned. The effect of these two factors on the loan repayment was partially offset because the ACOE's regular apportionment during 1984-85 was not reduced by as much as it had originally planned.

Two Factors Enabled the ACOE To Repay
the Loan More Quickly Than Anticipated

During 1984-85, the State applied \$754,831 more of the state transportation apportionment to the loan repayment than the ACOE had originally planned because representatives of the State's Superintendent of Public Instruction changed the loan repayment method.

Chapter 46, Statutes of 1984, which authorized the loan, stipulated a loan repayment procedure by which the major portion of the loan would be repaid from the ACOE's transportation apportionment. The California Education Code limits an agency's transportation apportionment in the current fiscal year to the transportation allowance it received in the previous year plus any increase provided by the Legislature. In 1983-84, the State did not have sufficient funds appropriated to reimburse the total allowable costs incurred in 1982-83 for the Special Education Transportation program; consequently, the program was "deficited." The State subsequently funded the deficit, and the ACOE received the balance of its 1983-84 funding in 1984-85.

Chapter 46, Statutes of 1984, required the ACOE to repay the major portion of its loan from the State by having its transportation apportionment reduced by 92.08 percent. However, adhering to an interpretation of Chapter 46, Statutes of 1984, made by representatives of the State's Superintendent of Public Instruction, the ACOE budgeted its loan repayment for 1984-85 on the assumption that the State would

base the repayment amount only on that portion of the 1983-84 transportation allowance that the ACOE had received before the deficit was funded (\$4,278,413). The ACOE assumed that it could use for its operations the monies that the State provided in 1984-85 (\$819,756) to fund the 1983-84 deficit; the ACOE assumed that the State would not apply 92.08 percent of this amount to the loan repayment.

In our status report issued in October 1984, we expressed concern about the ACOE's assumption that the State would base the loan repayment on the transportation allowance that the ACOE received before the deficit was funded rather than on the total allowance it received for its 1983-84 apportionment, including the amount it received after the deficit was funded. The representatives of the State's Superintendent of Public Instruction decided, subsequently, to base the ACOE's major repayment of the loan--credited July 1, 1984--on the total transportation allowance it received after the deficit was funded. Thus, the State applied \$754,831 more (\$819,756 multiplied by 92.08 percent) from the transportation apportionment to the loan repayment than the ACOE had originally planned.

Another reason for the ACOE's early repayment of its loan was that the State's transportation apportionment during 1984-85 was larger than the ACOE had expected. Consequently, the ACOE's loan repayment was \$510,510 more than it anticipated in preparing its 1984-85 budget. The ACOE originally assumed that there would be a 10 percent deficit in the 1984-85 transportation apportionment, and it assumed that it would

receive only \$5,098,169. In fact, the State funded the program fully by the end of the year, and the apportionment for the ACOE was \$5,652,589. The funding of the entire apportionment provided an additional \$510,510 ($\$5,652,589 - \$5,098,169 = \$554,420$ multiplied by 92.08 percent) of loan repayment to be taken from the ACOE's transportation apportionment during 1984-85.

The effect on the loan repayment of the two factors described above was partially offset because the ACOE's regular apportionment for 1984-85 was not reduced by as much as the ACOE had anticipated in its 1984-85 budget. When the representatives of the State's Superintendent of Public Instruction changed the loan repayment method, the balance payable on the loan was significantly reduced. Instead of having to make four monthly payments totaling \$312,087 in 1984-85, the ACOE had to pay only \$132,589 in total. This lesser amount reduced the effect of the other two factors by \$179,498 (\$312,087 - \$132,589). Table 1 on the next page compares the amount that the ACOE estimated it would owe on loan principal at June 30, 1985, according to its 1984-85 budget, and the amount it actually owed.

TABLE 1

**COMPARISON OF THE AMOUNT THE ACOE ESTIMATED
IT WOULD OWE ON ITS STATE LOAN AND THE AMOUNT OWED
AT JUNE 30, 1985 (PRINCIPAL ONLY)**

Loan amount	\$5,500,000
Amount budgeted for repayment per 1984-85 Budget	<u>(4,251,650)</u>
Amount estimated to be owed at June 30, 1985 per 1984-85 budget:	\$1,248,350
Increased initial payment due to change in loan repayment method	(754,831)
Increased payments due to full funding of transportation program	(510,510)
Reduction in February-May 1985 payments resulting from increased initial payment	<u>179,498</u> <u>(1,085,843)</u>
Amount payable as of June 30, 1985	<u>\$ 162,507</u>

In repaying the \$5.5 million loan principal, the ACOE paid \$295,095 from its own operations, and the State applied \$5,204,905 from the ACOE's transportation apportionment for 1984-85. The ACOE has also paid \$205,812 in interest charges on the loan through May 1985; the final interest charges remaining to be paid are \$10,076.

The ACOE's Budget for 1985-86

On September 3, 1985, the Alameda County Board of Education approved the 1985-86 budget submitted by the ACOE. The budget anticipates total income of \$10,686,152 and expenditures of \$10,595,578; thus, income exceeds expenditures by \$90,574. This \$90,574, combined with the beginning fund balance of \$383,492, allowed the ACOE to make the final payment on the state loan principal of \$162,507 in August 1985 and still have an ending fund balance of \$311,559, which has been reserved for contingencies. Table 2 on the next page presents a summary of the budget.

TABLE 2
BUDGET SUMMARY
ALAMEDA COUNTY OFFICE OF EDUCATION
FISCAL YEAR 1985-86

Income		
Federal	\$ 248,989	
State	6,905,205	
Local	<u>3,531,958</u>	
 Total Income		\$10,686,152
 Expenditures		
Certificated salaries	\$2,218,196	
Classified salaries	2,614,010	
Employee benefits	1,294,650	
Books and supplies	906,960	
Services and other operating expenditures	2,302,275	
Capital outlay	1,241,487	
Interfund transfers	<u>18,000</u>	
 Total Expenditures		<u>\$10,595,578</u>
 Income Over Expenditures		\$ 90,574
 Add:		
Balance at July 1, 1985		383,492
 Less:		
Loan Repayment		<u>162,507</u>
Fund Balance at June 30, 1986 (Reserved for Contingencies)		<u>\$ 311,559*</u>

*This reserve equals 2.9 percent of the anticipated total of expenditures and loan repayment.

In preparing its 1985-86 budget, the ACOE made the following assumptions that we believe could affect the accuracy of the budget:

1. The state revenue limit and special education apportionments will not be reduced as a result of the State's not having sufficient funds appropriated to reimburse allowable costs.
2. All data processing income agreements will be signed, and those districts continuing to participate will participate in 1985-86 at approximately the same level as they did in 1984-85.
3. Income resulting from the sale of publications, the rental of films to nonpublic schools, and other noncontracted items will be approximately the same as in 1984-85.
4. The ACOE will receive anticipated federal and state grant funds.
5. Interest income earned on 1985-86 cash balances will approximately offset interest paid to the Alameda County Treasurer on 1985-86 negative cash balances.
6. The budget contains only allowances for salary increases for 1984-85 for which specific provisions have already been made. Any salary increases for 1985-86 are not included in the budget.
7. The program managers' estimates of operating expenditures are reasonably accurate.
8. The renegotiated Juvenile Court School lease agreement, which significantly reduces the amount that the ACOE has to pay each year, will be signed.
9. No major data processing hardware purchases will be made.
10. Utility costs will increase significantly from 1984-85.

In addition to the assumptions described above, the reasonableness of the ACOE's budget depends upon the accuracy of the ending fund balance for 1984-85. This balance will be audited as part of the State Controller's financial and compliance audit of the ACOE for 1984-85.

The Cash Position of the ACOE

The ACOE ended the 1984-85 fiscal year with a cash balance of \$958,638 and projects a cash balance of \$757,011 as of June 30, 1986. To maintain a positive cash balance throughout 1985-86, the ACOE requested that the Alameda County Treasurer advance funds to the ACOE's account. In accordance with the California Education Code Section 42620, the Alameda County Treasurer may advance up to 85 percent of the ACOE's anticipated revenues for 1985-86. Article XVI, Section 6, of the State Constitution, provides that advances cannot be made after the last Monday in April of the current fiscal year and requires repayment of the advances from revenues received before such revenues are used to meet any other obligation. Our review of the data and assumptions underlying the ACOE's 1985-86 cash flow projection indicates that it is reasonable to expect that the ACOE will have a positive cash balance as of the last Monday in April 1986.

Procedures Implemented by the ACOE

The ACOE has implemented several procedures to ensure that the fiscal problems it experienced in the past do not recur. If followed, the procedures should provide a reasonable basis for the ACOE's continuing financial stability. During 1984-85, the Alameda County Superintendent of Schools issued the "Superintendent's Management Plan for the Improvement and Review of Services and Programs." This plan

includes policies and procedures related to the county board of education's role, the county superintendent of schools' role, and specific account budget management systems to be employed. According to the county superintendent of schools, the ACOE has implemented all of the policies and procedures included in the plan.

The first five items listed in the plan primarily relate to involving the Alameda County Board of Education in the operations of the ACOE. As we pointed out in our February 1984 report, "The Alameda County Superintendent of Schools Needs an Emergency Loan of \$5 Million," although the California Education Code requires a county board of education to adopt the budget of a county office of education, it does not require a county board of education to approve changes to the budget. As we reported then, the ACOE made significant changes to its initial budget throughout the year. Further, although the Alameda County Board of Education had adopted a policy requiring the ACOE to provide quarterly status reports on its budget, the information that the ACOE was then providing was not sufficiently detailed for the board to monitor the ACOE's budget effectively. According to the plan, the ACOE will inform the Alameda County Board of Education of the condition and operation of the annual budget each month. Further, the ACOE's new policy is to have the board approve all intra-budget transfers each month.

The next ten items listed in the plan relate to the county superintendent of schools' involvement in both fiscal and policy

matters. In our report issued in February 1984, we discussed the significant cash flow problems that the ACOE experienced during fiscal years 1982-83 and 1983-84 that culminated in January 1984 with the ACOE's issuing registered payroll warrants, which could be redeemed only when sufficient funds were available. The plan calls for the county superintendent of schools to pay specific attention to cash flow management and for the ACOE to submit monthly cash flow analyses to the Alameda County Treasurer and the Alameda County Board of Education. Further, the plan calls for an expanded program budgeting system that will allow program managers improved understanding of the resources that they control and for which they are held accountable. According to the county superintendent of schools, the ACOE's failure to sufficiently involve the program managers in the budgeting process contributed to the ACOE's past budgetary problems. Additionally, the plan reflects the county superintendent of schools' intention to provide nonmandated services to schools in such a manner that they will pay for themselves. Until 1984-85, the ACOE provided nonmandated services, such as payroll processing, at no charge to the school districts and provided other nonmandated services, such as audiovisual repairs, at fees that did not cover all of the ACOE's costs.

The final 13 items in the plan relate to specific account budget management systems to be employed. Seven of the items are procedures addressing purchasing control. In its 1983-84 audit report, the State Controller noted widespread weaknesses in the ACOE's control over purchasing. Additionally, the plan includes specific procedures

for monitoring of the budget. Program managers are now required to submit to their division chief and the county superintendent of schools a monthly budget report showing the condition of their programs. Also, the data processing unit is responsible for producing an exception report that identifies programs having negative balances. A negative balance indicates that a program's expenditures exceed its budget. The ACOE's assistant superintendent for business services will not approve expenditures for a program that has a negative balance until that condition is resolved.

Responsibilities of the ACOE and the Superintendent of Public Instruction

Chapter 46, Statutes of 1984, requires the ACOE to perform certain actions and the State's Superintendent of Public Instruction, through a trustee, to assume monitoring responsibilities as a condition of the ACOE's receiving the loan from the State. The ACOE and Superintendent of Public Instruction satisfactorily fulfilled the responsibilities defined by Chapter 46, Statutes of 1984. The responsibilities defined by Chapter 46, Statutes of 1984, apply to the entire period during which the loan is outstanding. We commented on several of the responsibilities, including budget preparation for 1984-85, in our first status report issued in October 1984. The continuing responsibilities of the ACOE as defined by Chapter 46, Statutes of 1984, are to prepare budgets in which revenues exceed expenditures for the subsequent years and to prepare quarterly reports monitoring those budgets as long as the loan is outstanding. The

Superintendent of Public Instruction is required to monitor the ACOE's preparation of the budgets and quarterly reports.

In accordance with Chapter 46, Statutes of 1984, the ACOE submitted quarterly reports to the trustee during 1984-85. Chapter 46, Statutes of 1984, requires the quarterly reports to compare, by detailed line item, actual receipts and expenditures to budgeted amounts. In addition to the comparison of actual and budgeted financial information, the ACOE's quarterly reports to the trustee also provided information such as revisions to the county superintendent of schools' plan, personnel actions, and revised cash flow analyses. Chapter 46, Statutes of 1984, also requires that the ACOE provide to the trustee a detailed budget for its operations for each of the fiscal years that the loan from the State is outstanding. In accordance with that directive, the ACOE provided information on the 1985-86 budget to the trustee.

Chapter 46, Statutes of 1984, requires the trustee to "monitor, review, and approve or reject the reports and other material" that the ACOE submits. As of August 1985, the date of our review, the trustee had reviewed all of the reports for the first three quarters of 1984-85. The ACOE had not yet completed the report for the fourth quarter; thus, the trustee had not reviewed it. (Financial information for the fourth quarterly report was delayed because of the additional duties involved with issuing final reports at the end of the year.) Although the trustee had some initial concerns and questions about the

quarterly reports for the first three quarters of 1984-85, he ultimately approved all of them.

Additionally, Chapter 46, Statutes of 1984, specifies that the ACOE's expenditures will not deviate from the budget without the prior written approval of the trustee. Nevertheless, the ACOE made budget transfers throughout the year without the prior written approval of the trustee. The trustee said that he did not always approve budget transfers in advance because of the significant number of transfers that the ACOE processed throughout the year and because he was not at the ACOE offices each day. Therefore, he did not believe it to be feasible to approve the transfers before they were processed. The ACOE's procedure was to process the budget transfers daily, compile them in a batch for the trustee's review each month, and submit them to the Alameda County Board of Education for its review after the trustee had approved them. The trustee said that he found this to be a satisfactory procedure and never had cause to reject a budget transfer that was submitted for his approval. Although the trustee did not review the budget transfers in advance, we believe that the trustee, in effect, satisfactorily fulfilled his responsibilities in this matter.

Chapter 46, Statutes of 1984, requires the trustee to serve until the loan from the State is repaid, unless the State's Superintendent of Public Instruction, in consultation with the Auditor General, determines that the trustee's services are necessary for a shorter period. As discussed on page 5, the ACOE made the final payment on the loan principal in August 1985.

CONCLUSION

In August 1985, the ACOE issued a warrant for the final payment of its \$5.5 million loan from the State. The loan was repaid more quickly than the ACOE originally anticipated because representatives of the State's Superintendent of Public Instruction changed the loan repayment method and because the State ultimately funded in full the transportation program upon which the loan repayment was partially based.

The ACOE's budget for 1985-86 projects that it will end the fiscal year with a \$311,559 reserve for contingencies. This budget rests upon a number of assumptions, including the accuracy of the ending balance for 1984-85. Additionally, if the ACOE is able to realize its cash flow projection for 1985-86, it will have a positive cash balance as of April 1986, the date by which the ACOE must repay any advance it may have received from the Alameda County Treasurer.

The ACOE has implemented several procedures to ensure that the fiscal problems it experienced in the past do not recur. If followed, the procedures should provide a reasonable basis for the ACOE's continuing financial stability.

Finally, the ACOE and the Superintendent of Public Instruction have fulfilled the ongoing responsibilities mandated by Chapter 46, Statutes of 1984.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


for THOMAS W. HAYES
Auditor General

Date: September 30, 1985

Staff: Curt Davis, CPA, Audit Manager
Karen L. McKenna, CPA
Mary Cancilla



CALIFORNIA STATE DEPARTMENT OF EDUCATION

721 Capitol Mall

Sacramento, CA 95814-4785

Bill Honig

Superintendent

of Public Instruction

September 30, 1985

Thomas W. Hayes
Office of Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

Your draft copy of the Status Report: The State Loan to the Alameda County Office of Education, has been received and reviewed. We find the report to be satisfactory with the following exceptions:

Page 16, 1st paragraph, insert the word "budget" for "income". (A negative balance indicates that a program's expenditures exceed its budget) *

Page 16, 2nd paragraph. We feel that the Superintendent's continuing responsibility should be limited to the review of the 4th quarter of 1984-85 and of the budget prepared for the 1985-86 year only since the Alameda County of Education has fulfilled the requirement of Chapter 46, Statutes of 1984 by repayment of the loan.

In accordance with the provisions of Chapter 46, Statutes of 1984, we will anticipate the termination of the trusteeship after we have received and reviewed the 4th quarter report for 1984-85 by the trustee.

Thank you for the opportunity to review and comment on your status report dated October 1985.

Sincerely,

Handwritten signature of Robert W. Lawrence.
Robert W. Lawrence
Deputy Superintendent
for Field Services
(916) 324-5923

Auditor General Comment:

* Wording changed in report



ALAMEDA COUNTY OFFICE OF EDUCATION

WILLIAM BERCK, Ed.D.
SUPERINTENDENT

RAUL JARAMILLO
DEPUTY SUPERINTENDENT

TIM M. LARIN
ASSISTANT SUPERINTENDENT
BUSINESS SERVICES

BOARD OF EDUCATION

GAY PLAIR COBB
PRESIDENT

CARMEN CARRILLO, Ph.D.
1st VICE-PRESIDENT

CHARLES CONLIN
2nd VICE-PRESIDENT

CHARLES H. DEADRICH, J.D. MARY HARDY
KEITH MEDEIROS DAVID PETERSON

September 27, 1985

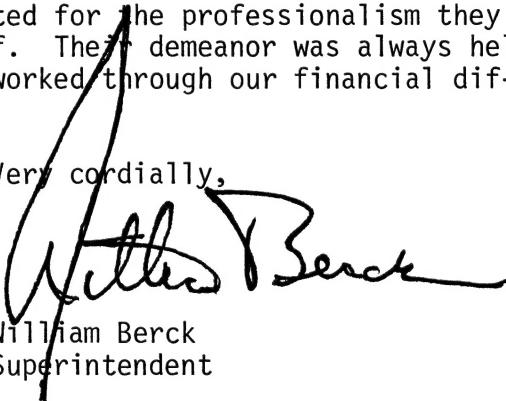
Thomas W. Hayes, Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

I have reviewed the draft of your offices "Status Report: the State Loan to the Alameda County Office of Education" and found the report a fair representation of the facts involved.

Your staff is to be complimented for the professionalism they displayed in working with our staff. Their demeanor was always helpful and supportive and an asset as we worked through our financial difficulties.

Very cordially,


William Berck
Superintendent

WB:bh

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps